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CONSUMER COUNSEL

**FINANCIAL - COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 2001**

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CONSUMER COUNSEL
FINANCIAL - COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 2001

JUNKERMIER, CLARK, CAMPANELLA, STEVENS, P.C.
Certified Public Accountants

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

October 2001

The Legislative Audit Committee
Of the Montana State Legislature:

Enclosed is the report on the audit of the Office of the Consumer Counsel for the two fiscal years ended June 30, 2001.

The audit was conducted by the accounting firm Junkermier, Clark, Campanella & Stevens, P.C., under a contract between the firm and our office. The comments contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

Written response to the report is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor

01C-04

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**ELECTED AND APPOINTED OFFICIALS
LEGISLATIVE CONSUMER COMMITTEE**

1999-2001

SENATORS

J. D. Lynch (Served through 12/00)

Walt McNutt

Debbie Shea (Appointed 1/01)

REPRESENTATIVES

Joe Quilici (Served through 12/00)

Royal Johnson (Served through 12/00)

Tom Dell (Appointed 1/01)

Roy Brown (Appointed 1/01)

Consumer Counsel

Robert A. Nelson



Junkermier • Clark
Campanella • Stevens • P.C.

Ward F. Junkermier, CPA
George L. Campanella, CPA
Rick A. Frost, CPA
Robert E. Nebel, CPA
Joseph F. Shevlin, CPA
Ronald A. Taylor, CPA
Terry L. Alborn, CPA
Walter J. Kero, CPA
Jerry L. Lehman, CPA
Daniel J. Konen, CPA

James V. Galipeau, CPA
Robert E. Geis, CPA
Gerald L. Hanson, CPA
Joseph S. Adney, CPA
Robert J. Heffernan, CPA
David L. Wilsey, CPA
Kris V. Fuehrer, CPA
Ronald P. Ramsbacher, CPA
Kurt F. Ingold, CPA
Brian J. Zottnick, CPA

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Legislative Audit Committee
Of the Montana State Legislature:

We have audited the accompanying financial schedules of the Office of the Consumer Counsel for the fiscal years ended June 30, 2000 and 2001, as listed in the table of contents. These financial schedules are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial schedules based on our audits.

We conducted our audit in accordance with generally accepted auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial schedules, the Office of Consumer Counsel's financial schedules are prepared in accordance with state accounting policy, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Office of the Consumer Counsel for the fiscal years ended June 30, 2000 and 2001, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2001 on our consideration of the Office of the Consumer Counsel's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
September 25, 2001

Consumer Counsel
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

FOR ALL FUNDS

FUND BALANCE: July 1, 1999	\$ <u>Special Revenue Fund</u>
PROPERTY HELD IN TRUST: July 1, 1999	<u>236,602</u>
ADDITIONS	
Budgeted Revenues & Transfers-In	
NonBudgeted Revenues & Transfers-In	78
Prior Year Revenues & Transfers-In Adjustments	
Cash Transfers In(Out)	
Direct Entries to Fund Balance	934,432
Additions To Property Held in Trust	
Total Additions	<u>934,510</u>
REDUCTIONS	
Budgeted Expenditure & Transfers-Out	867,517
NonBudgeted Expenditure & Transfers-Out	
Prior Year Expenditure & Transfers-Out Adjustments	
Reductions in Property Held in Trust	
Total Reductions	<u>867,517</u>
FUND BALANCE: June 30, 2000	\$ <u>303,595</u>
PROPERTY HELD IN TRUST: June 30, 2000	<u>303,595</u>

See the notes to the financial statements.

Consumer Counsel
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

FOR ALL FUNDS

	Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS		
Taxes	\$ 78	\$ 78
Total Revenues & Transfers-In	<u>78</u>	<u>78</u>
Less: Nonbudgeted Revenues & Transfers-In	78	78
Prior Year Revenues & Transfers-In Adjustments	<u>0</u>	<u>0</u>
Actual Budgeted Revenues & Transfers-In	<u>0</u>	<u>0</u>
Estimated Revenues & Transfers-In	<u>0</u>	<u>0</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 0</u>	<u>\$ 0</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS		
Taxes	\$	\$ 0
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 0</u>	<u>\$ 0</u>

See the notes to financial statements.

Consumer Counsel
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

FOR ALL FUNDS

	<u>ADMINISTRATION PROGRAM</u>	<u>Total</u>
PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT		
PERSONAL SERVICES		
SALARIES	\$ 283,959	\$ 283,959
EMPLOYEE BENEFITS	<u>59,463</u>	<u>59,463</u>
Total	<u>343,422</u>	<u>343,422</u>
Operating Expenses		
Other Services	459,798	459,798
Supplies & Materials	11,186	11,186
COMMUNICATIONS	6,172	6,172
TRAVEL	15,199	15,199
Rent	15,142	15,142
REPAIR & MAINTENANCE	1,492	1,492
OTHER EXPENSES	<u>15,106</u>	<u>15,106</u>
Total	<u>524,095</u>	<u>524,095</u>
Total Program Expenditures & Transfers-Out	<u>\$ 867,517</u>	<u>\$ 867,517</u>
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND		
Special Revenue Fund	<u>\$ 867,517</u>	<u>\$ 867,517</u>
Total Program Expenditures & Transfers-Out	<u>867,517</u>	<u>867,517</u>
Less: Nonbudgeted Expenditures & Transfers-Out	0	0
Prior Year Expenditures & Transfers-Out Adjustments	<u>0</u>	<u>0</u>
Actual Budgeted Expenditures & Transfers-Out	867,517	867,517
Budget Authority	<u>1,074,891</u>	<u>1,074,891</u>
Unspent Budget Authority	<u>\$ 207,374</u>	<u>\$ 207,374</u>
UNSPENT BUDGET AUTHORITY BY FUND		
Special Revenue Fund	<u>\$ 207,374</u>	<u>\$ 207,374</u>
Unspent Budget Authority	<u>\$ 207,374</u>	<u>\$ 207,374</u>

See the notes to financial statements.

Consumer Counsel

SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

FOR ALL FUNDS

	<u>Special Revenue Fund</u>
FUND BALANCE: July 1, 2000	\$ <u>330,595</u>
PROPERTY HELD IN TRUST: July 1, 2000	
ADDITIONS	
Budgeted Revenues & Transfers-In	
NonBudgeted Revenues & Transfers-In	69
Prior Year Revenues & Transfers-In Adjustments	
Cash Transfers In(Out)	
Direct Entries to Fund Balance	991,877
Additions To Property Held in Trust	
Total Additions	<u>991,946</u>
REDUCTIONS	
Budgeted Expenditure & Transfers-Out	1,011,990
NonBudgeted Expenditure & Transfers-Out	
Prior Year Expenditure & Transfers-Out Adjustments	(14)
Reductions in Property Held in Trust	
Total Reductions	<u>1,011,976</u>
FUND BALANCE: June 30, 2001	\$ <u>310,565</u>
PROPERTY HELD IN TRUST: June 30, 2001	

See the notes to financial statements.

Consumer Counsel
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
FOR ALL FUNDS

	Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS		
Taxes	\$ 69	\$ 69
Total Revenues & Transfers-In	69	69
Less: Nonbudgeted Revenues & Transfers-In	69	69
Prior Year Revenues & Transfers-In Adjustments	0	0
Actual Budgeted Revenues & Transfers-In	0	0
Estimated Revenues & Transfers-In	0	0
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 0	\$ 0
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS		
Taxes	\$ 0	\$ 0
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 0	\$ 0

See the notes to financial statements.

Consumer Counsel
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
FOR ALL FUNDS

	<u>ADMINISTRATION PROGRAM</u>	<u>Total</u>
PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT		
PERSONAL SERVICES		
SALARIES	\$ 306,959	\$ 306,959
EMPLOYEE BENEFITS	<u>64,338</u>	<u>64,338</u>
Total	<u>371,297</u>	<u>371,297</u>
Operating Expenses		
Other Services	566,743	566,743
Supplies & Materials	11,062	11,062
COMMUNICATIONS	5,286	5,286
TRAVEL	27,013	27,013
Rent	15,415	15,415
REPAIR & MAINTENANCE	356	356
OTHER EXPENSES	<u>14,804</u>	<u>14,804</u>
Total	<u>640,679</u>	<u>640,679</u>
Total Program Expenditures & Transfers-Out	<u>\$ 1,011,976</u>	<u>\$ 1,011,976</u>
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND		
Special Revenue Fund	\$ <u>1,011,976</u>	\$ <u>1,011,976</u>
Total Program Expenditures & Transfers-Out	1,011,976	1,011,976
Less: Nonbudgeted Expenditures & Transfers-Out	0	0
Prior Year Expenditures & Transfers-Out Adjustments	<u>(14)</u>	<u>(14)</u>
Actual Budgeted Expenditures & Transfers-Out	1,011,990	1,011,990
Budget Authority	1,098,793	1,098,793
Unspent Budget Authority	<u>\$ 86,803</u>	<u>\$ 86,803</u>
UNSPENT BUDGET AUTHORITY BY FUND		
Special Revenue Fund	\$ <u>86,803</u>	\$ <u>86,803</u>
Unspent Budget Authority	<u>\$ 86,803</u>	<u>\$ 86,803</u>

See the notes to financial statements.

OFFICE OF THE CONSUMER COUNSEL
NOTES TO FINANCIAL STATEMENTS
June 30, 2000 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Office of the Consumer Counsel uses the modified accrual basis of accounting which is described in the Montana Operations Manual, such basis differs from generally accepted accounting principles in the following material respects:

Under the modified accrual basis of accounting, a valid obligation exists when the related liability is incurred. The following items are also considered valid obligations under state accounting policy:

If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.

The anticipated cost of equipment is expensed in the fiscal year in which it is budgeted.

Goods ordered, but not received as of the end of the fiscal year may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

Obligations for employees' vested leave and sick leave are recorded as expenditures when paid.

Financial Schedule Presentation

The financial schedules were prepared from Statewide Accounting Budgeting and Human Resource System (SABHRS) without adjustments. Accounts are organized on the basis of funds according to State law. The following fund types are used by the Consumer Counsel:

Special Revenue Fund - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Legislative appropriation is required to spend from this fund.

Vacation and Sick Leave

Employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial schedules of the Consumer Counsel. Expenditures for termination pay are currently absorbed in the annual operational costs of the Counsel. At June 30, 2000 and 2001, the Counsel had liabilities for compensated absences of \$67,217 and \$70,701.

2. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS). The Consumer Counsel's contribution to the plan for fiscal years 2000 and 2001 was \$19,556 and \$21,091 respectively.

OFFICE OF THE CONSUMER COUNSEL
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2000 and 2001

3. OPERATING LEASE

The Consumer Counsel entered into a lease agreement for office space on December 1, 1997 and terminating on November 30, 2001. Rent is \$1,100 per month and rent is increased 2% annually on the anniversary date of the lease. One third of the remodeling cost of \$7,500 was paid on inception of the lease with the remaining two thirds being paid over the term of the lease. The Office of the Consumer Counsel paid rent of \$15,142 and \$15,415 for fiscal year ended June 30, 2000 and 2001 respectively.

4. BUDGET

The budget for each year included a contingency appropriation of \$100,000 for unanticipated cases.



Junkermier • Clark
Campanella • Stevens • P.C.

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the Office of the Consumer Counsel for the fiscal years ended June 30, 2000 and 2001, and have issued our report thereon dated September 25, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Office of the Consumer Counsel's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office of the Consumer Counsel's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components, does not reduce to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
September 25, 2001

Montana Consumer Counsel



Robert A. Nelson

Consumer Counsel

Frank E. Buckley, *Rate Analyst*

John B. Bushnell, *Economist*

Thomas S. Muri, *Attorney*

Mandi Shulund, *Secretary*

Telephone: (406) 444-2771

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616 Helena Avenue

Suite 300

PO Box 201703

Helena, Montana 59620-1703

October 16, 2001

Mr. Brian Wickens
Junkermier, Clark, Campanella, Stevens, P.C.
Certified Public Accountants
P.O. Box 1164
Helena, MT 59624

Dear Mr. Wickens,

We have reviewed your draft Financial Compliance Audit for the two fiscal years ended June 30, 2001, and have no comments or exceptions to your report.

I would like to take this opportunity to thank you for minimizing the burden placed on our staff in conducting the audit; your advance instructions were very helpful and it was a pleasure working with you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert A. Nelson".

Robert A. Nelson

Montana Consumer Counsel

